



10th Annual Progress Report

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Quick Facts

Goal: Extend program reach

- 211 Program Participants
- 150 million acres enrolled, 129 million acres independently 3rd party certified to the SFI Standard
- 38 State Regional and Provincial SFI Implementation Committees

Goal: Broaden sustainable forestry practices through procurement systems

- 7,444 Loggers and foresters trained in 2004, 90,773 since 1995
- 95 percent of raw material used by SFI program participants was provided by trained loggers

Goal: Prompt reforestation to ensure long-term productivity

■ 1.5 million acres of SFI program participants' land reforested in 2004 through planting or natural regeneration

Goal: Continual improvement in standards and practices

■ \$747 million invested by SFI program participants in sustainable forestry research since 1995

Introduction:

Having started in 1995 as a voluntary code of conduct, the Sustainable Forestry Initiative® (SFI) program has developed into an internationally recognized, independently governed sustainable forest management system implemented on more than 150 million acres of forestland in the United States and Canada.

Over the past decade, true to its founding ideal of "continuous improvement" the SFI® program has undergone a number of changes that have brought us to this point, where its participants now represent 90% of the industrial timberland in the United States. More than 129 million acres in North America have been independently, third party certified to the SFI Standard, making it North America's largest forest certification program. Factoring in program participants' procurement systems and the vital activities of the SFI Implementation Committees, including landowner outreach and logger and forester training, the SFI program now affects the way forestry is practiced on nearly half a billion acres of North American forestland.

What is the SFI program?

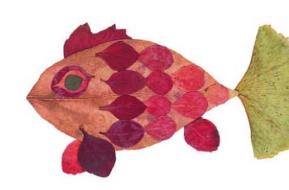
The SFI program is a comprehensive system of principles, objectives, performance measures and indicators that integrates the perpetual growing and harvesting of trees for useful wood and paper products with the long-term protection of wildlife and aquatic habitat, plants, soil, water and air quality. The SFI program continues to prove every day that responsible environmental management and sound business principles can co-exist for the betterment of our society.

Independent Governance:

The SFI Standard – the document that spells out the requirements of conformance with the program – and the Audit Procedures and Qualifications (APQ) are developed by the Sustainable Forestry Board (SFB), an independent 501(c)(3) organization of diverse membership. Two thirds of the SFB members represent the conservation community, academia, public officials, logging professionals and forest landowners. The remaining third represent SFI program participants. Since its creation in 2000, the SFB has overseen two major public reviews and revisions of the SFI Standard, including the most recent, which resulted in the new 2005-2009 SFIS that went into effect January 10th, 2005.

Members of the American Forest & Paper Association (AF&PA) are required to participate in the SFI program as a condition of membership. AF&PA is responsible for assisting program participants in implementing standards adopted by the SFB. Since inception of the SFI program, 17 members of AF&PA have been expelled for failure to comply with the SFIS.

Third-party certification A formal documentation of conformance to the SFI Standard conducted by an independent, qualified audit firm An SFI third-party certification is conducted according to the standards of the SFI Audit Procedures and Qualifications (set by the SFB) and under the guidelines set by the International Standards Organization in ISO 19011.







The Principles and Objectives:

The SFIS Principles form the heart of the SFI program. These principles call upon each and every SFI program participant to use environmentally-responsible forestry and procurement practices to meet the market demand for their forest products.

The SFIS Objectives put the principles into action by providing program participants a roadmap for how to implement the principles in their forests. The Objectives include:

- Broadening the implementation of sustainable forestry by ensuring long-term harvest levels based on the best science available
- Ensuring long-term forest productivity and conservation through prompt reforestation, soil conservation, afforestation and other means
- Protecting water quality in streams, lakes and other bodies
- Enhancing wildlife habitat and conserving biodiversity by implementing measures that promote habitat diversity and conservation of forest plants and animals
- Managing the visual impact of harvesting and other forest operations
- Protecting sites of ecological, geological, historical and cultural significance
- Promoting the efficient use of forest resources
- Broadening the practice of sustainable forestry through procurement systems
- Improving forestry research, science and technology upon which sound forest management decisions are based
- Improving the practice of sustainable forestry by logging professionals, foresters and contractors through training and education
- Complying with applicable federal, provincial, state or local laws
- Continuous improvement in standards and implementation and reporting on progress

Improving the Standard

The biggest news this year was the development and release of the 2005-2009 SFI Standard (SFIS). Following a year of review, the Sustainable Forestry Board (SFB), under the leadership of Chairman Lawrence A. Seltzer, spent 2004 rewriting the standard by which all SFI program participants must operate.

The SFB incorporated a wide range of stakeholder participation in the revision process, including valuable input from SFI program participants, the External Review Panel, and a public comment period as well as regional workshops to discuss the changes with any and all interested parties. The new 2005-2009 SFIS was released by the SFB on January 10, 2005.

Among the improvements to the SFIS were the addition of new performance measures and indicators that provide for, among other things:

- Periodic surveillance audits (annual, not to exceed 18 months) are now required to maintain certification status.
- Additional protection of imperiled and critically imperiled species and forest communities including outreach to family forest owners
- Minimizing impacts of invasive exotic plants and animals that threaten native plant and animal communities
- Enhanced conservation of old-growth forests
- Better wood supply chain monitoring and auditing including monitoring of direct suppliers
- Improved protection of water quality through implementation and monitoring of Best Management Practices (BMPs), and BMP effectiveness research
- Added explicit provisions on legal compliance and social issues to put increased emphasis on compliance with environmental and social laws and regulations
- More stringent auditor qualifications and public audit reporting

The SFB published a comprehensive listing of all the changes to the SFIS and APQ that can be seen at: www.aboutsfb.org

The SFB continues its outreach in 2005 by conducting a series of workshops across the country for SFI program participants to discuss the changes and how to implement the new standard on the land they manage.

And while the new standard was being developed, promotional efforts were designed to bring the SFI program and sustainable forestry to a broader audience here in North America, as well as around the world.

- The highly successful business to business advertising continued, demonstrably increasing awareness of the SFI program among the forest products industry's major customers.
- The SFI Implementation Committees (see page 14) stepped up their efforts to increase the awareness and practice of sustainable forestry at the state, provincial and local levels thorough their tremendous grassroots work on the ground.
- SFI program participants themselves also fostered greater awareness of the program through direct contacts with customers and other important audiences.

"We think that the staff and Resources
Committee's task forces have done a
commendable job of tracking the public
comments, and of making a transparent record of
their handling available for the Panel's review.
The degree of inclusion and transparency in the
SFIS review and comment process has been
exemplary. The Panel's review of the process,
and the treatment of each comment, indicates
that the review has been fair, open, and
inclusive."

 May 20, 2004 Letter from the External Review Panel to the SFB Resources Committee

SFI External Review Panel

Richard W. Brinker

School of Forestry & Wildlife

Craig Cox

Soil & Water Conservation Society

Peter deMarsh

Canadian Federation of Woodlot Owners

Jane A. Difley

President & Forester New Hampshire Forests

Elizabeth Estill

Deputy Chief Programs, Legislation and

Jo Ellen Force

University of Idaho

Paul D. Frey

Louisiana Office of Forestry

Michael T. Goergen, Jr.

Executive Vice President

James R. Grace

Pennsylvania Bureau of Forestry

H. Theodore Heintz, Jr.

Council on Environmental Quality

Bill Horvath

National Association of Conservation Districts

Philip J. Janik

USDA Forest Service (ret.)

Winifred B. Kessler

USDA Forest Service, Alaska

David L. Ledford

Rocky Mountain Elk Foundation

Professor Emeritus Purdue University

Dennis C. Le Master

Pat McElroy Washington State Forester Dept. of Natural Resources

W. Alan Wentz Senior Group Manager Ducks Unlimited

Executive Secretary

R. Neil Sampson The Sampson Group, Inc.

AF&PA Liaison Rob Olszewski

Environmental Affairs

Comments from the External Review Panel

This 10th Annual Progress Report of the SFI program marks a major milestone for the program. During this decade, the External Review Panel has seen significant growth and improvement in the program. We are particularly impressed by the improvements in forest management that are being promoted by the program. This report accounts for some of those improvements, but far from all of them. We can count, for example, how many loggers have completed training programs that make them more sensitive to environmental values and more skilled in protecting forest ecosystems during logging operations. The report can add up the impressive contributions to forest research that have been made over the years. What we cannot count, but know to be important, are the many forests that have seen an increase in value to society through a better trained, professional logging force or improved forest science. We know those places are there; we see them every time we go into the SFI forests, but they are not adequately captured in data systems and reports such as this one.

The External Review Panel spent a great deal of time in the review and updating of the SFI Standard in 2004. We were particularly focused on the public response that was received, and followed how each comment was handled in the revision and editing process. In the end, we were convinced that all comments were considered with care and fairness. The issues that were raised were discussed thoroughly and thoughtfully by a broad cross-section of stakeholders. Conference calls, meetings, and correspondence allowed different views to be heard and debated until, on most issues, consensus was achieved.

As a result, the 2005-2009 SFIS is a sustainable forestry standard that can be fairly compared against any in the world. Forests managed to this standard will be environmentally protected or improved while also providing our society with forest products and economic returns to the people who depend on them. Affecting some 150 million acres in North America, the SFI Standard is a driving force for continued forest improvement. There will be more improvements suggested and adopted in the future, for sure, and the Panel will continue to work to identify and provide input into their adoption.

As the movement toward sustainable forestry grows around the world, there are an increasing number of forest certification

programs that are highly credible and provide positive contributions to future forest management activities. We applaud them all, and wish them success. At the same time, it is unfortunate that some feel it necessary to promote one effort over others to the detriment of all, because in the end, that will not advance our stewardship of forests or their inherent environmental values.

Despite the many successes of the sustainable forestry movement, certain trends are of serious concern. Millions of acres of American forestland are being taken out of sustainable forest management, largely through land sales and land use changes that result in parcelization and fragmentation. Large blocks of forest are being sold for business reasons, and many end up being held in smaller, sometimes disjointed parcels that cannot produce the multiple benefits that society expects from forests - not only wood products, but also water, recreation. environmental services, wildlife, and a wide variety of other forest values. Growing communities and recreational areas continue to sprawl throughout forested regions, wherever roads or water provide access or attraction. Often the results are increased costs and difficulty for managing working forests, leading to reduced incentives for longterm forest investments and hastening a downward spiral toward forest loss. These are concerns that go well beyond good forest management and raise important questions about society's role in influencing land use.

It is not readily apparent how a forest certification system such as the SFI program can do much about this type of land use issue in spite of the grave concerns of many in the sustainable forestry movement. Sustainable forestry is about how forests are managed. But it is only going to meet tomorrow's needs where there are forests to be managed. We believe Americans need to be made aware of this growing conservation concern, and educated to better understand the full impact of smaller forested parcels on a landscape, and the threat to long term forest sustainability that is becoming more apparent from forest land conversion to commercial and real estate development. There must be considerable thought and research to consider this issue if society is to reap the full benefits of the many excellent programs such as the SFI that are seeking to assure a sustainable forest future. As reflection proceeds, it may even be possible to identify a role for forest certification, along with other approaches.

2004: Setting a Standard for Excellence

The core mission of the Sustainable Forestry Board is the continual improvement of the SFI Standard. The annual SFI report is an effective tool to encourage the progress that is needed to maintain the position of the Standard as one of the worlds leading forest certification systems. We are proud of the achievements reflected in this report and urge you to read it carefully. By the end of 2004, more than 129 million acres of forest land were certified to the SFI Standard by independent third-party auditors. As the non-profit organization having the sole oversight of the Sustainable Forestry Initiative Standard, the SFB will continue to do its part to further the reach and maintain the credibility of the Standard.

2004 was a landmark year for the SFB. The completion of the comprehensive review of the SFI Standard included not only web based public comment periods, Stakeholder meetings, and open review workshops throughout the United States and Canada, but also the commitment of the entire SFB to finding common ground to improve the Standard. The External Review Panel also played a critical role in providing an independent assessment of the comments and process. The resulting 2005 – 2009 Standard reflects the balance needed to maintain and promote economic viability, environmental health, and social responsibility in our working forests.

The SFB understands the need to maintain its vigilance and focus on the challenges ahead. In the first six months of 2005 the SFB hosted workshops in 8 cities throughout North America promoting the new Standard, helping program participants implement new provisions, and reaching out to other private forest landowners to encourage sustainable forest management. The SFB will continue its outreach to all stakeholders to encourage reforestation, fund local assistance programs, and provide information on water and soil conservation, wildlife habitat, and management for imperiled and critically imperiled species and communities. As part of the continual improvement process, the SFB will fund a number of pilot projects, aimed at exploring emerging issues that may affect the economic, environmental, and social viability of sustainable forestry. To this end, the Sustainable Forestry Board will explore new horizons and push for balanced enhancements in the future.

With an outstanding group of conservation and business leaders, family forest landowners, scientists, and logging professionals committed to the SFI Program we are well positioned for another year of enhancing sustainable forest management in North America.

Sincerely,

Lawrence A. Selzer, Chairman

William H. Banzhaf, President

SFB Roster

Lawrence A. Selzer

Chair President & CEO The Conservation Fund

John A. Luke, Jr

Vice Chair Chairman & CEO MeadWestvaco Corporation

Skeet Burris

Secretary/Treasurer Family Forest Landowner Cypress Bay Plantation

John H Cashwell

President Seven Islands Land Company

Steven J. McCormick

President & CEO
The Nature Conservancy

Laurie A. Wayburn

President
The Pacific Forest Trust

Norm L. Christensen, Jr

Past Dean Nicholas School of the Environment Duke University

Colin Moseley

Chairman & President Green Diamond Resource Company

Joe Young

President Low Country Forest Products, Inc.

John Faraci

Chairman & CEO International Paper Company

Paul Portney

President
Resources for the Future

George H. Fenwick

President American Bird Conservancy

Steven R Rogel

Chairman, President, and CEO Weyerhaeuser Company

John Innes

FRBC Chair of Forest Management University of British Columbia

Gerald Rose

Sustainable Forestry Representative National Association of State Foresters

2004 Activities and Accomplishments

In the States

In May Connecticut Governor John Rowland signed a bill to allow the state Department of Environmental Protection (DEP) to have state-owned woodlands or products from such woodlands certified or licensed under one or more of the following: the SFI program, the American Tree Farm System (ATFS), the Canadian Standards Association's Sustainable Management System Standards (CSA), the Finnish Standard, the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification Schemes (PEFC), the Swedish Standards, the United Kingdom Woodland Assurance Scheme, or the Smart Wood Program.

In January the Massachusetts Office of Procurement adopted a policy recognizing the environmental merits of forestry certification programs, including the Sustainable Forestry Initiative® (SFI). The procurement policy calls for bidders to "provide a selection of wood products" that are derived from sustainably managed forest programs." In order to qualify, programs must include third party certification and wood flow accounting or chain of custody. The policy recognizes the SFI® program and FSC and also reserves the opportunity for the Commonwealth to add additional programs in the future. The state of Vermont incorporated sustainable forestry language inclusive of the SFI program and FSC into their forest products procurement policy in 2001.

American Fisheries Society Supports SFI Program

In November Barbara Knuth, President of the American Fisheries Society and Professor and Chair of Cornell University's Department of Natural Resources, informed Bill Banzhaf, President of the Sustainable Forestry Board that the American Fisheries Society (AFS) Governing Board recently passed a motion supporting the SFI program. In addition, the AFS Governing Board proposed a more active role for the AFS with the SFI Program.

SFB Elects CEO of The Conservation Fund to be Chairman

On April 28th, the Sustainable Forestry Board elected Mr. Lawrence A. Selzer to serve as the Chairman. Mr. Selzer is President and Chief Executive Officer of The Conservation Fund, a national nonprofit conservation organization headquartered in Arlington, VA. The Board also elected John Luke Jr., President and CEO of MeadWestvaco, Vice Chair and Dr. A.G. (Skeet) Burris as the organization's Secretary-Treasurer. Dr. Burris is a family forest landowner and conservationist from South Carolina.

These elections reflect the continued smooth transition of leadership incorporated in the SFB Bylaws. The SFB had been chaired by CEOs from the forest products industry since its establishment in 2000. Green Diamond Resource Company's Chairman and CEO Colin Moseley, immediate past SFB Chair stated, "The election of a Chairman from the environmental NGO community is a sign of the continued maturation and strength of this multi-stakeholder body."

Promotional Activity in Europe

The end of 2004 and beginning of 2005 saw increased SFI program promotional activity in Europe following the UK Government's announcement in December that wood produced from forests managed in conformance with the SFI Standard meet the government's requirements for legal harvesting and sustainability.

In an effort to highlight the UK Government's announcement, the SFI program entered into an agreement with Timber Trades Journal (TTJ), the leading UK and European magazine for the timber trade, to place several pieces to promote and describe the SFI program and help make the European audience more aware of the program.

In August Metafore released its publication titled "Matching Business Values with Forest Certification Systems: A Forest Certification Evaluation Tool for Buyers."

Metafore developed this forest certification evaluation tool especially for business buyers interested in clarifying the role of certification as part of a comprehensive responsible forest products purchasing policy. The report concludes that the three major third-party forest certification systems operating in North America — the Canadian Standards Association (CSA), Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative® (SFI) Program— are all viable models for independent forest certification systems. From the report:

"Each system has adapted to practical realities in different in ways. Nonetheless, each system is transparent, includes opportunities for input from different stakeholders, and has procedures for communicating forest management performance. Echoing guidance provided by ISO, the three systems also share similar characteristics when it comes to the key operational and structural criteria for assessing the credibility of a certification program.

- Governance: Although there are some variations, each system has a diverse list of representatives— industry, academic, public sector, conservation groups and forestry professionals—who oversee approval of standards, marketplace initiatives, communications and dispute resolution.
- Standardization: Each system has a formal development process that allows for the participation of multiple stakeholders— educators, non-governmental organizations, forestry professionals and the forest industry— and a separate committee to review and approve of the standards. There is also a requirement to periodically update the standards, and review procedures for leveling complaints against the process.
- Accreditation: Each system has a well-rounded process that involves an accreditation body evaluating the certification body—internal capacity, auditing procedure and site visit of previous audits. This separate body formally grants accreditation and periodic surveillance and review of the certification body.
- Verification: The verification process is similar with each system requiring auditors to conduct a pre-assessment of the certified operation and an in-field assessment. The results are then sent to a separate committee that decides on the certification and conducts annual monitoring visits and regular renewals to maintain certification.



Minnesota, Wisconsin and Washington Enroll Their State Forestlands in SFI® Program

In 2004 and early 2005, the Minnesota Department of Natural Resources (DNR), Wisconsin DNR and the Washington DNR enrolled their state forestlands in the SFI program. Both Wisconsin (2.7 million acres) and Washington (1.4 million acres) have certified their state lands under the SFI Standard, and the Minnesota DNR (4.5 million acres) will certify all their state forestlands by the end of 2005. The chart below highlights other non-industry SFI program participants who are enrolled through the SFI licensing program.

State Agency

Maine Department of Conservation, Bureau of Parks and Lands

Maryland Department of Natural Resources

Massachusetts Department of Environmental Management

Minnesota Department of Natural Resources

Missouri Department of Conservation

North Carolina Division of Forest Resources-Bladen Lakes State Forest

Pennsylvania DCNR Bureau of Forestry

Tennessee Division of Forestry

Washington Department of Natural Resources

Wisconsin Department of Natural Resources

University

Clemson University

Duke University

Michigan Tech University

North Carolina State University (Department of Forestry)

Paul Smith's College

University of Florida

University of Idaho

University of Minnesota College of Natural Resources

University of Washington

Yale University

Non-Profit

Ames Plantation, Tennessee

Ida Cason Callaway Foundation, Georgia

J.G. Gray Estate-Stream Companies, Louisiana

Philmont Scout Ranch, New Mexico

Society for the Protection of New Hampshire Forests, New Hampshire

The Conservation Fund, California, New York, North Carolina, Virginia and Vermont

Public Agency

Beltrami County Natural Resources Management, Minnesota

Carlton County Land Department, Minnesota

Koochiching County Land & Forestry Department, Minnesota

Lake County Forestry, Minnesota

St. Louis County Land Department, Minnesota

Suwannee River Water Management District, Florida





A Decade of Growth and Improvement

When the SFI program was first conceptualized in 1994, few could have imagined the explosive growth the program would see in its first decade. Originally designed as a code of conduct for the forest products industry in the United States, the SFI program has become one of the world's largest sustainable forestry and certification programs.

1994: The American Forest & Paper Association (AF&PA) establishes a committee charged with developing a program to "visibly improve industrial forest practices and report results. October 14, 1994 the AF&PA Board of Directors adopts "Sustainable Forestry Initiative Principles and Implementation Guidelines."

1995: AF&PA members begin implementation of the *Sustainable Forestry Initiative Principles and Implementation Guidelines*. AF&PA Board establishes the Expert Review panel (ERP-later renamed the External Review Panel), an organization of independent experts to advise the SFI program. First biannual meeting of SFI National Forum – a stakeholder group of diverse forestry-related interests including loggers and family forest owners.

1996: SFI program becomes mandatory for all AF&PA members. AF&PA member company CEOs are required to report annually on their compliance with the SFI program. 15 companies expelled from AF&PA for failure to meet SFI program requirements. First SFI Annual Conference held in Pittsburgh, PA. The SFI program was recognized as a *significant development in private sector efforts to improve the environment* by President Clinton's Council on Sustainable Development in 1996.

1997: ERP becomes an independent organization with its own charter and begins selecting its own members. The SFI program was awarded the Business Conservation Leadership Award from National Association of Conservation Districts

1998: International Paper and The Conservation Fund join with AF&PA to convene a workshop on "Wildlife and Biodiversity" in order to develop ideas to improve the program. The "SFI guidelines" are expanded into a "standard", the Sustainable Forestry Initiative Standard (SFIS), complete with procedures for verification and third-party certification. The SFI licensing program is initiated, allowing non-AF&PA members to enroll their forestland and forestry operations in the SFI program. The Conservation Fund is the first SFI program licensee and St. Louis County, MN becomes the first public land agency to enroll their forestlands in the SFI licensing program. The SFI program receives a Summit Award from American Society of Association Executives' Advance America Awards Program

1999: Westvaco Corporation and The Conservation Fund join AF&PA to convene a workshop to develop new ideas for managing sites of special historical, ecological or cultural significance under the SFIS. The ERP establishes the "Forest Monitoring Project" to monitor SFI program implementation which will include more than 50 random field reviews of SFI program participants over the next 3 years. The AF&PA Board approves new enhancements to the SFI Standard including performance measures for carbon sequestration, genetically modified seedlings, recreation and training for employees and contractors. Massachusetts becomes the first state to enroll their forestlands in the SFI licensing program. The SFI program receives a National Award for Sustainability in Forests and Rangeland from Renew America and the President's Council for Sustainable Development..

2000: The American Forest Foundation (AFF) and AF&PA sign a mutual recognition agreement, bringing together the SFI program and the American Tree Farm System[®]. The Sustainable Forestry Board is established to oversee the SFI Standard. Of the 15 SFB members, 60 percent are from diverse stakeholder groups and 40 percent from SFI

program participant companies. SFI program expanded into Canada. The Conservation Fund, Champion International and AF&PA convene another SFI program workshop to develop new ideas to improve the verification and certification process. The National Fish and Wildlife Foundation publishes a report showing thousands of special sites are being protected under the SFI program. A total of 50,000 loggers trained in SFI program principles since 1995. The National Wild Turkey Federation recognized the SFI program with their *Land Stewardship Award*.

2001: SFB adopts new bylaws to establish SFB as an independent, not-for-profit organization. SFB launches a public review of the SFIS and establishes a task force to study "Forests of Exceptional Conservation Value." SFB creates customer and auditors forums. SFI program enrollment surpasses 100 million acres in the U.S. and Canada. The Weyerhaeuser Company and The Conservation Fund joined with AF&PA to sponsor the second SFI Wildlife Habitat and Biodiversity workshop, as participants continued to call for ideas to improve the clarity and guidance on these topics.

2002: SFB chartered as an independent 501(c)(3) corporation with new membership composition with equal representation (one-third each) from conservation and environmental organizations, the broader forestry community and SFI program participants. SFB announces extensive enhancements to the SFIS, releasing the 2002-2004 SFIS that includes additions to protect forests of exceptional conservation value, help prevent illegal logging and promote the conservation of biodiversity hotspots and major tropical wilderness areas. AF&PA creates SFI labeling program. The SFI program is recognized by United Nations at World Summit on Sustainable Development in Johannesburg. South Africa with ICC-UNEP World Summit Business Award for Sustainable Development Partnerships.

2003: SFB establishes Certification Appeals Subcommittee to review any questions regarding the validity of SFIS certifications. SFB establishes an auditor review process, including hiring a firm to conduct field peer reviews of each auditor that conducts SFIS certifications. SFB also establishes a task force to review sustainable forestry practices on "family forests" and announces new interpretations for the further application of the SFIS in Canada. AF&PA begins business to business advertising program to increase awareness of SFI program among SFI program participants' major customers. The SFI program receives an International Mobius Award for "Forest Art" TV ads and receives the first of two Excellence in Advertising Awards from the American Institute of Architects. Louisiana Pacific, The Conservation Fund, and The American Tree Farm System joined with AF&PA to sponsor a workshop that explored how the SFI program could become more effective in promoting forest stewardship on family forests.

2004: The SFB conducts a year long public review of the SFIS in advance of the release of the 2005-2009 SFIS with regional workshops and a public comment period. SFB elects Lawrence Seltzer, President and CEO of the Conservation Fund, to be new SFB Chairman, the first member of a conservation organization elected to lead the SFB. Acres independently, third-party certified to the SFIS surpass 100 million. The SFI program is again recognized by the American Institute of Architects with their second *Excellence in Advertising Award*.

2005: SFB adopts 2005-2009 SFIS on January 10, 2005. The new standard is significantly enhanced with new provisions on old growth, international procurement, invasive exotic species, imperiled and critically imperiled species, landscape assessments, wood supply chain monitoring, and social issues to name a few.

Alaska Arkansas

British Columbia

California

Central Rockies (CO, SD, WY)

Florida

Georgia

Idaho

1001110

Indiana

Kentucky

Louisiana

Maine

Maryland/Delaware

Michigan

Minnesota

Mississippi

Missouri

Montana

New Brunswick

New Hampshire

v Hampsilic

New York

North Carolina

Nova Scotia

Ohio

Ontario

Oregon

Pennsylvania

Quebec

South Carolina

Southern New England (CT, MA, RI)

Tennessee

Texas

Vermont

Virginia

Washington

West Virginia

Wisconsin

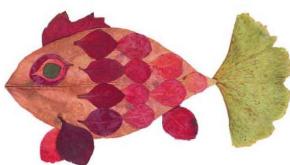
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SFI® Implementation Committees (SICs)

Working at the local level, SFI Implementation Committees (SICs) continue to perform critical outreach and education activities necessary to promote sustainable forestry and the SFI Standard to a wide range of stakeholders — family forest owners, independent loggers, government land managers, legislators, conservationists, and environmental leaders. SICs are now operating in 38 states and 5 Canadian provinces.

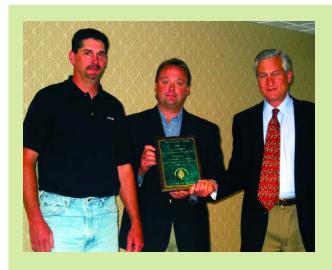
In 2004, SICs continued to broaden support for the SFI program beyond the traditional forestry community. This was reflected in SIC membership, in efforts to address inconsistent practices, and in a variety of external communication and outreach efforts designed to increase SFI program recognition.

Also in 2004, SICs focused on assisting SFI program participants demonstrate compliance with the SFI Standard. These efforts included continuous improvement in logger training criteria and in outreach to landowners, agencies, and the public. The SICs provided thoughtful and constructive comments during the SFI Standard revision process.





- Thirty-six percent of 936 SIC members throughout North America represented non-industry interests, including agencies, conservation organizations, and universities
- SICs documented 1137 concerns about forestry practices, 51 (4%) of which were claims of inconsistent practices involving SFI program participants; all were addressed by resource professionals, and 46 of the SFI concerns were fully resolved by the end of the year
- SIC Chairs led 4 regional workshops at the SFI Annual Conference and organized 2 regional SIC meetings for the South and Lake States to coordinate effective, consistent SFI program implementation at the state and provincial level
- The Minnesota SIC was selected as the sixth recipient (and first two-time winner) of the annual SIC Achievement Award, which recognizes excellence in advancing SFI program objectives. Past recipients have included Minnesota (1999), Maine (2000), Pennsylvania (2001), Alabama (2002), and Georgia (2003).



The Minnesota SIC was recognized for excellence and received the Sixth Annual SIC Achievement Award at the 2004 SFI Annual Conference. Minnesota became the first two-time winner of this annual award. Patrick Galdonik (left), SAPPI Fine Paper, and Tim O'Hara (center), Minnesota Forest Industries, accepted the award from Steve Lovett (right), Executive Vice President of the American Forest & Paper Association.

Individual SIC Highlights

Alabama – provided a direct mailing of sustainable forestry materials to landowners affected by Hurricane Ivan.

Alaska – developed a Q&A brochure describing the SFI program and benefits of participation

Arkansas – collaborated with the Arkansas Forestry Commission to facilitate inconsistent practices reporting and ensure that 14 complaints (1 of which involved a SFI program participant) were addressed.

British Columbia – increased awareness of the SFI program through ads placed in Business Vancouver (weekly, readership 60,000) and Architecture BC (quarterly magazine, 3,000+); published SIC brochure (5,000 copies).

California – continued a multi-year communications effort to increase awareness of the SFI program that includes targeted use of a "Tomorrow's Wood Today" ad.

Central Rockies (CO, SD, WY) – secured grants that provided 35% of the funding raised by the SIC to support logger training efforts in 3 states.

Florida – provided forest management information to over 3800 landowners through a variety of programs in collaboration with the Florida Tree Farm program; SFI program is included in Master Tree Farmer and Master Wildlifer manuals and workshops.

Georgia – continued a direct mail program, sending 10,190 letters and 1,091 information packets containing forest management and SFI program information to family forest owners; developed laminated "Forest Emergency Card" for loggers to address inconsistent practices.

Idaho – sponsored statewide Foresters Forum that promoted the SFI program to landowners and foresters.

Indiana – promoted the SFI program through www.ificsfi.org.

Kentucky – highlighted the SFI program in a new brochure, "Kentucky's Wood Industry – Renewable – Responsible" that was distributed to the Kentucky General Assembly.

Louisiana – promoted the SFI program through statewide radio ads reaching 690,500 listeners, TV ads, 100,000 newspaper inserts, and an ad in the LA Hunting and Fishing Regulation book (300,000 circulation).

Maine – developed a series of SFI program brochures and pocket folder describing the SFI program; distributed to Maine legislature and other key audiences.

Maryland/Delaware – worked to support, improve, and promote the Maryland Master Logger program

Michigan – developed MOU with WI SIC for regional coordination; exhibited at outdoor recreation sports shows in Detroit and Grand Rapids, the two largest media markets in the state

Minnesota – selected as the sixth recipient (and first two-time winner) of the annual SIC Achievement Award; distributed more than 4,000 landowner information packets that included SFI program information and comprehensive forest management information and guidelines

Mississippi – promoted the SFI program in the Mississippi Business Journal, Tree Talk magazine, and online at http://www.msforestry.net/sfi.

Missouri – secured approximately \$90,000 for logger training from government grants.

Montana – outreach efforts resulted in a conservation organization joining the SIC, along with university, state agency, and private landowner representatives.

New Brunswick – promoted the SFI program through an information outreach booklet, website (nbsfi.ca), and numerous newsletter articles.

New Hampshire – received and addressed two SFI inconsistent practices complaints through a 1-800 number in partnership with the Maine SIC.

New York – raised \$26,500 to support logger training and education efforts

North Carolina – completed a SFI program exhibit for state use and promoted the SFI program at multiple forestry events; sponsored landowner tour for 46 to help establish new county landowner association.

Nova Scotia – established a 1-800 number for public inquiry about the SFI program and supported training programs resulting in 365 private wood suppliers completing training

Ohio – worked with other forestry organizations to review SFI inconsistent practices procedures and design a logging practices reporting form

Ontario – in its first full year of operation promoted the SFI program through newly developed pamphlet (distributed to 6500), website (sfiontario.com), and advertising 6 times in The Working Forest newspaper.

Oregon – supported master woodland training for landowners through OSU Extension.

Pennsylvania – obtained state grants to support 35% of SIC funding for training and education efforts; developed bylaws to formally organize under the Pennsylvania Forest Products Association.

Quebec – translated the SFI program publication "A Good Sign Somebody Cares" into French and printed 5000 copies for ongoing SIC use.

South Carolina – supported revision and distribution of a Landowners Guide to Forestry in SC and SC Forestry Facts and maintained a list of SFI trained professionals; all available online at www.scforestry.org/downloads/

Tennessee – sponsored organizational meetings for county landowner associations: 38 established and 6 planned; sponsored SFI program booth at TN Forestry Expo

Texas – maintained SFI program billboard in northeast Texas, sponsored annual SFI program photo contest, and sponsored seedling giveaway at State Capitol.

Vermont – promoted the SFI program at statewide Annual Teachers convention.

Virginia – promoted the SFI program through dedicated website (virgniasfi.org) and brochure (to be updated in 2005); provided national leadership for SICs during SFIS revision.

Washington – continued SFI ad campaign in publications with a combined circulation of 105,600 to promote the SFI program to key opinion leaders in Washington.

West Virginia – developed state brochure describing the SFI program, providing toll-free number, listing SFI program participants, and providing training information.

Wisconsin – collaborated with Wisconsin Forest Resource Education Alliance to successfully obtain state grant funding to produce a PBS video featuring SFI program.

Measurable Progress

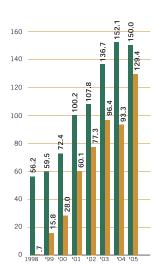
About Data Trends

In the charts on this and following pages, it will be noted that some of the reported data shows increases, while some shows declines. There are several possible reasons for this. One is that the weather conditions affect the timing of what can be done in the forest, particularly in reforestation. Other significant changes may be due to new program participant data, corporate re-structuring, mergers, acquisitions and land sales.

Total Acres Enrolled in SFI Program and Acres Third-Party Certified

Number of acres enrolled (in millions)

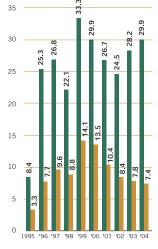
Number of acres certified (in millions)



The SFI program now includes 150 million acres. By the end of 2004, 129.4 million acres were independently third-party certified. Independent third-party certification to the SFIS provides additional assurance that a program participant's practices in the field meet the SFIS requirements. The Sustainable Forestry

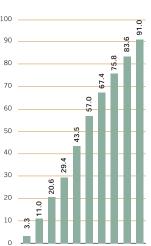
Board has established a Verifiers Accreditation Subcommittee to review auditors' qualifications and ensure an annual formal field peer review of at least one SFI audit for each approved SFI verification firm.

Annual Enrollment of Loggers and Foresters in Sustainable Forestry Training Programs



- Completing portion of training program (in thousands)
- Completed entire training program (in thousands)
- Completed entire training program cumulative growth (in thousands)

Training data provided by the Forest Resources Association



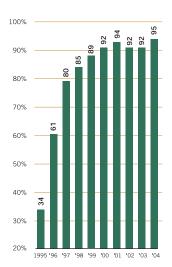
7,444 loggers and foresters completed sustainable forestry training programs in 2004; a total of 90.773 have completed training programs since 1995. A growing body of evidence suggests these training programs are leading to increased awareness and application of, among other things, best management practices for the protection of water

quality. A 2000 report from the National Association of State Foresters noted high rates of BMP implementation in many states and specifically recognized the SFI program as a catalyst for raising awareness of BMPs among loggers and foresters.



Raw Material Supply

Total percent delivered by trained loggers annually

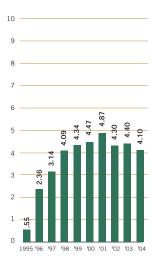


In 2004, over 95 percent of the wood (11.5 billion cubic feet) delivered to SFI program participant mills was delivered by a trained logger. All major wood producing states in the U.S. now have logger and forester training programs. In addition, five Canadian SICs have established

criteria for training to meet SFI program objectives in the Canadian context. These programs include training in sustainable forestry principles, best management practices to protect water quality, reforestation, awareness of responsibilities under the Endangered Species Act, logging safety, Occupational Safety and Health Administration wage and hour rules, transportation issues, business management, and public policy and outreach.

Local SFI Committee Expenditures for Sustainable Forestry Programs

Millions of dollars (U.S.)

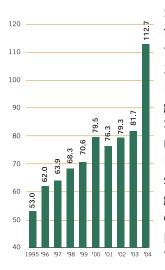


Since 1995, SFI program participants have contributed \$36.6 million in local program funding. These funds have been used to support logger and forester training programs, to provide outreach to family forest owners, to develop and respond to concerns about inconsistent practices, to conduct

sustainable forestry research and a variety of other activities at the state or provincial level.

Sustainable Forestry Research Funding

Millions of dollars (U.S.)

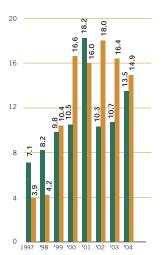


\$112.7 million went toward sustainable forestry research in 2004. Continual improvement is a guiding principle of the SFI program and research is critical to learning more about sustainable forestry to guide future program enhancements. SFI program participants fund a wide variety of research activities, both

internal to their organizations and with other stakeholders. Research areas include forest health and productivity, water quality, wildlife, fisheries, ecosystem management, biological diversity, carbon sequestration and many others.

Acres of Forestland in Cooperative Wildlife Management Agreements Annual Enrollment

Acres in formal agreements (in millions)Acres in informal agreements (in millions)



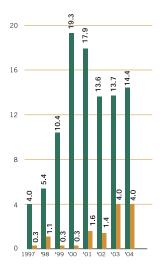
Water Quality and Wildlife Management

Maintaining water quality and wildlife habitat in forests is an important element of the SFI program. In 2004, SFI program participants reported 28.4 million acres were enrolled in formal or informal agreements with a conservation or wildlife management agency or organization which specify on-the-ground management practices for a specific area. There were also 18,400 miles of streams in formal and informal agreements during 2004.

Enrollment in these voluntary cooperative agreements demonstrates yet another way many SFI program participants are working with a broad range of external stakeholders to ensure sustainable forestry practices are being applied to their forestland holdings.

Miles of Streams in Cooperative Fisheries Management Agreements Annual Enrollment

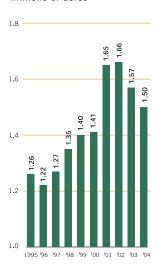
Miles of streams in formal agreements (in thousands)Miles of streams in informal agreements (in thousands)





Reforestation

Millions of acres

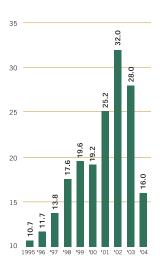


Reforestation is a cornerstone of sustainable forestry. And it is one area in which all SFI program participants have long excelled. However, prior to the launch of the SFI program, there was scant data to back up these performance claims. The SFI program is now, on an annual basis, providing stakeholders

and the public a growing set of data which indicates areas where there is steady progress and areas for improvement. Clearly, the data on reforestation show that SFI program participants continue to honor commitments under the SFIS to reforest harvested areas by natural regeneration or planting in a consistent manner.

Landowner Assistance Programs

Landowners (assisted) in thousands

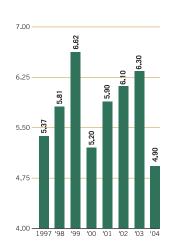


More than 16,051 family forest owners were assisted through formal landowner assistance programs in 2004. Assistance takes many forms and may include the development of a comprehensive management plan, reforestation plans, harvesting plans, application of best management

practices, protection of endangered

Acres Managed Through Landowner Assistance Programs

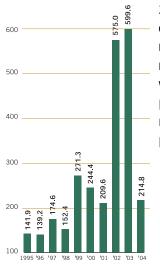
Millions of acres



A total of 4.9 million acres of family owned forestlands are enrolled in landowner assistance programs.

Acres Reforested Through Landowner Assistance Programs

Thousands of acres



214,772 acres of family owned forestlands were reforested via natural regeneration or planting with the assistance of SFI program participants; 26.9 million seedlings were provided at no cost.



SFI Program Participants

The following AF&PA member companies have complied with requirements of the AF&PA by-laws for the SFI program.

AF&PA Member Companies:

Abitibi-Consolidated, Inc. (North America)

Allegheny Wood Products, Inc.
American Forest Management, Inc.
Anthony Forest Products Company
Augusta Logging Exporters, Inc.
The A. Johnson Company
Badger Paper Mills, Inc.
Banner Fibreboard Company
Bennett Forest Industries
Bibler Bros. Lumber Company
Boise Cascade Corporation

Bowater Incorporated (North America)

Canal Wood, LLC

Canfor U.S.A.(Includes Canadian Forest Products)

Caraustar Industries Inc.

Cedarprime, Inc. (Includes International Forest Products Ltd.)

CityForest Corporation

Domtar Inc.

Durango-McKinley Paper Company EHV Weidmann Industries, Inc. Esleeck Manufacturing Company, Inc.

Finch, Pruyn & Company, Inc.
Fitzpatrick & Weller, Inc.
Forest Systems, Inc.
Fox River Paper Company
Fraser Papers (North America)
French Paper Company
Georgia-Pacific Corporation
Gilman Building Products, LLC
Giustina Land & Timber Co.

Glatfelter

Global Forest Partners LP Graphic Packaging Corporation Grays Harbor Paper, LP Green Bay Packaging Inc.

Green Diamond Resource Company

Greif Inc.

Gulf States Paper Corporation
Hampton Resources, Inc.
Hancock Land Company
Hancock Lumber Company, Inc.
Hancock Timber Resource Group
Hartford City Paper, LLC
Hedstrom Lumber Company, Inc.

Hollingsworth & Vose Company Hull Forest Products, Inc. Hull-Oakes Lumber Co. International Paper Company Interstate Resources, Inc.

J. D. Irving, Limited (North America) Johnson Timber Corporation

J. M. Huber Corporation - Huber Engineered Woods

LIN PAC, Inc.

Little Rapids Corporation Longview Fibre Company

Louisiana-Pacific Corporation (North America)

Manistique Papers, Inc.
Masonite Corporation
MeadWestvaco Corporation
Menasha Packaging Company, LLC
Mohawk Paper Mills, Inc.
Monadnock Paper Mills, Inc.
Myllykoski North America

The Newark Group Inc.
Norbord, Inc. (North America)
North Pacific Lumber Company
North Pacific Paper Co. (NORPAC)
Olympic Resource Management

Owens Forest Products The Pacific Lumber Company Packaging Corporation of America

Parsons & Whittemore, Inc. (Includes Alabama River Pulp

Company and Alabama River Woodlands, Inc.)

Pingree Associates, Inc.

Plum Creek Timber Company, Inc. Ponderay Newsprint Company. Pope & Talbot, Inc.(North America)

Port Blakely Companies

Port Townsend Paper Corporation

Potlatch Corporation
The Price Companies Inc.

Rayonier

Riley Creek Lumber Company Rock-Tenn Company

Sappi Fine Paper--North America

Seaman Paper Company of Massachusetts, Inc.

Sierra Forest Products Sierra Pacific Industries Simpson Investment Company

Smart Papers, LLC

Smurfit-Stone Container Corporation

Sonoco Products Company Southworth Company SP Newsprint Company Starker Forests, Inc. Stimson Lumber Company Stora Enso North America T & S Hardwoods, Inc. Temple-Inland Inc. Timber Products Company

TimberWest

UPM, Blandin (Includes UPM, Miramichi)

Weaber, Inc.

Webster Industries, Inc.

West Fork Timber Company, LLC

West Fraser (South), Inc. (Includes all of North America, Houston Forest Products and Weldwood of Canada, Ltd.)

Weyerhaeuser Company (North America)

SFI Program Licensees:

Ames Plantation

Beltrami County Natural Resource Management

Bennett Lumber Company Carlton County Land Department Cathlamet Timber Company, LLC Claude Howard Lumber Company, Inc.

Clemson University Devereaux Sawmill, Inc.

Duke University

Franklin Timber Company Gottsaull Tennessee Forest, LLC

Granite Hardwoods, Inc. Gulf Lumber Company, Inc. H. W. Culp Lumber Company

Hankins, Inc.

Harden Furniture, Inc.

HHP, Inc.

Husby Forest Products, Ltd. Ida Carson Callaway Foundation

Idaho Cedar Sales

Idaho Timber Corporation of Idaho Idaho Timber Corporation of Montana J. G. Gray Estate - Stream Companies

J. M. Jones Lumber Company, Inc.

J. W. Jones Lumber Company, Inc.

Jasper Lumber Company, Inc.

Jordan Timberlands, Inc.

Kitchens Bros. Manufacturing Company, Inc.

Konkolville Lumber Company Koochiching County Land & Forestry

Lake County Forestry

Lampe & Malphrus Lumber Company

Litchfield Park Corporation

Maine Department of Conservation Maine Ornamental Woodworkers, Inc.

Marion Plywood Corporation Maryland DNR - Forest Service

Massachusetts Depart. of Envir. Management

Matthews Four Seasons McShan Lumber Company Meyer Moulding & Millwork, Inc. Michigan Technological University Missouri Department of Conservation

Neiman Sawmills, Inc. (Devils Tower and Rushmore Forest Products)

New South Lumber Company Nicolet Hardwoods Corporation

North Carolina Division of Forest Resources (Bladen Lakes

States Forest)

North Carolina State University (Dept. of Forestry)

Northern Hardwoods

Pacific West Timber Company

Paul Smith's College PB Lumber, LLC Penguin Forest

Pennsylvania Department of Conservation & Natural Resources

Pollard Lumber Company, Inc.

Rainier Timber Company, LLC Red Rock Enterprises, LLC Robbins Lumber Company, Inc. Rosboro Lumber Company Rutland Lumber Company, Inc.

Seefeld Corporation

Seneca Jones Timber Company Shuqualak Lumber Company, Inc.

Society for the Protection of New Hampshire Forests

Southern Lumber Company St. Louis County Land Department

Sundance Forest Industries

Sustainable Forest Products of Michigan Suwannee River Water Management District

Tennessee Division of Forestry **Terminal Forest Products** The Conservation Fund

Thompson Tree Farm/Gates Tree Farm

Three Rivers Timber, Inc. T.R.C. Cedar Limited University of Idaho

University of Minnesota College of Natural Resources

Witherby Tree Farm Wrenn Brothers. Inc. Yale University

Welcome to New Members and SFI Program Licensees in 2004 and 2005

New AF&PA Member Companies

Buckeye Technologies Deltic Timber Corporation Knight-Celotex Fiberboard Koch Cellulose, LLC

Neenah Paper, Inc. (North America)

New Page Corporation

New SFI Program Licensees

Bayroot, LLC Chaleur Sawmills

Chilco Lake Lumber Company Dunkley Lumber, Ltd.

Forest Capital Partners, LLC

Groupe Savoie, Inc. Merriweather LLC

Minnesota Department of Natural Resources

Moyie Springs Lumber Company North American Forest Products. Ltd.

Philmont Scout Ranch Tioga Hardwoods, Inc. Tolko Industries. Ltd. Typhoon, LLC University of Florida University of Washington

Washington Department of Natural Resources Wisconsin Department of Natural Resources

SFI Program:

www.aboutsfi.org

Sustainable Forestry Board:

www.aboutsfb.org

External Review Panel:

www.abouterp.org

